

BOARD OF EQUALIZATION

CIGARETTE AND TOBACCO PRODUCTS TAX REGULATIONS

Regulation 4022. INVENTORIES OF CIGARETTES.

Reference: Sections 30182, 30188, 30453 and 30454, Revenue and Taxation Code.

Every distributor and wholesaler engaged in the sale of cigarettes shall furnish with his or her monthly certified report to the board, on Board of Equalization Form BOE-501-CD entitled "Cigarette Distributor's Tax Report" or Board of Equalization Form BOE-501-CW entitled "Cigarette Wholesaler's Report," a statement of the cigarettes on hand at the end of the month covered by the report, showing the number of cigarettes on hand contained in packages to which tax stamps or meter impressions are affixed and the number not bearing tax stamps or meter impressions. The statement shall be furnished in one of the following manners:

(a) If the distributor or wholesaler has a cycle count inventory system and perpetual inventory system in place, the monthly statement shall be based on the perpetual inventory report run on the last business day of the month for which the distributor's or wholesaler's report is filed. However, at least once every calendar year, the monthly statement shall be based on a physical inventory of cigarettes on hand on the last business day of the month for which the distributor's or wholesaler's report is filed.

A "cycle count inventory system" is a system that provides evidence that all cigarettes are counted on a regular basis, with each item being counted at least once every three-month period.

A "perpetual inventory system" is a system in which inventory records are maintained and updated continuously as items are purchased or sold.

(b) If the distributor or wholesaler does not have a cycle count inventory system and perpetual inventory system in place, the monthly statement shall be based on the inventory on hand at the end of the month covered by the report. However, at least once every six months, the monthly statement shall be based on a physical inventory of cigarettes on hand performed within the last five days of the month for which the distributor's or wholesaler's report is filed.

History: Adopted June 24, 1959.

Amended October 10, 1968, effective November 13, 1968.

Amended September 26, 2001, effective February 15, 2002. Deleted existing language concerning inventories of cigarettes and replaced with new language.